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FOR ACTION

THE STRUCTURE AND FORMAT OF BUDGET DOCUMENTS: STRUCTURE AND FORMAT OF THE FINANCIAL MEDIUM-TERM PLAN

SUMMARY

The present document reviews the question of timing for submitting the financial medium-term plan to the Advisory Committee on Administrative and Budgetary Questions and then to the Executive Board for possible adjustments, and proposes changes and additions to the current format. This presentation is the Executive Director's response to Executive Board decision 1991/30, on the review of budget formats, which calls for a review of the financial plan, including appropriate revisions in the tables and charts to maximize clarity and transparency.

The report details the following with regard to the financial medium-term plan: the timing; the budget information it contains; and changes to the presentation. Revised tables and charts are also included for review.

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INTRODUCTION

1. The present document was prepared in response to Executive Board decision 1991/30 on the review of budget formats, which called for a review of the financial plan, including appropriate revisions in the tables and charts to maximize clarity and transparency.

2. The document was reviewed with five other documents throughout the year at a number of meetings by a Reference Group consisting of nine Executive Board delegates. The document was also submitted to the Advisory Committee on Administrative and Budgetary Questions (ACABQ) for its review and recommendations, which are presented in document E/ICEF/1992/AB/L.18.

3. The document addresses the question of timing for presenting the financial medium-term plan, which includes the comparison of actual results of the prior year with the previous financial plan forecasts made for that year. Following a description of the process involved in completing the financial medium-term plan and identifying the difficulties in meeting the schedules of ACABQ and the Executive Board, the document recommends that the current timing be maintained and proposes possible adjustments that could be made for improved coordination with ACABQ.

4. Based on the review of existing tables and graphs, the document proposes appropriate changes and additions intended to improve the presentation. The revised tables and graphs will be used in the 1992 financial medium-term plan. However, it should be noted that the numbers in the charts and graphs included in the document are for illustration only.

I. TIMING OF THE FINANCIAL MEDIUM-TERM PLAN

5. An important part of the financial medium-term plan is the comparison of the prior year's actual results with the previous financial plan forecast. This section of the plan explains the reasons for variances from the plan such as the effect of exchange rate movements during the year. The actual results for the prior year, including the year-end cash balances, are the starting-point for the four-year forecast in the financial medium-term plan.

6. The UNICEF fiscal year corresponds to the calendar year. For UNICEF Accounts Section to close the books for the year, financial information from the Copenhagen warehouse, the Geneva office, Greeting card and related operations (GCO) and about 115 field offices must be checked and consolidated. As a result, the final financial statements for the prior year are not available until the first week of March. Although UNICEF can use preliminary results to prepare most of the financial medium-term plan before that date, the plan cannot be completed until the final results are known. Once the actual results are known, the financial medium-term plan is finalized and the document is processed by the United Nations in time for the Executive Board session.

7. To meet its schedule, ACABQ has required UNICEF to submit the administrative and programme support budget well before the Executive Board session. As a result, the administrative and support budget is usually given to ACABQ early in December prior to the end of the fall session. This is before the end of the fiscal year and three months before the completion of the financial medium-term plan. The budget document contains income and expenditure projections, which are used to show the organization's expected rate of growth and the ratio of budget expenditures to programme expenditures. The source of these projections is a preliminary financial medium-term plan that the UNICEF secretariat prepares in mid-November. The projections in the final financial plan can be different from the preliminary plan since income and programme expenditure estimates may require adjusting after the year's actual results are known.

8. The difference between the projections in the budget document and the final financial plan has created some concern. For example, the actual results for 1990 were significantly better than the preliminary income estimates in the budget document. This occurred primarily because GCO had a very successful season and UNICEF received several large supplementary funds pledges during the last two weeks of December. This information was not known when the preliminary financial plan was prepared.

9. Despite the difficulties, the current timing of documents could be maintained. UNICEF would issue the budget documents, including preliminary projections of income and programme expenditures, in early December. This would enable ACABQ to begin its analytical work. To deal with the difference in projections between the budget document and the financial medium-term plan, UNICEF would issue a corrigendum to the budget documents explaining the differences between the projections in the financial medium-term plan and the budget documents prior to the Board session.

II. BUDGET INFORMATION IN THE FINANCIAL MEDIUM-TERM PLAN

10. The Executive Board reviews administrative budget proposals every two years. In the year when the Executive Board is reviewing the budget document, the narrative on the budget in the financial medium-term plan is very brief. Since the budget document describes the proposed budget in detail, it is unnecessary to repeat the information in the financial medium-term plan. There are no differences between the dollar amount of budget expenditures in the financial medium-term plan and the budget estimates in the budget document.

11. In the year when the Executive Board does not review a proposed budget, the planned budget expenditures in the financial medium-term plan provide the Board with a preview of the next budget proposal. The narrative of the plan describes what revisions may be necessary to the approved budget and gives preliminary estimates of the budget requirements for the next biennium. Included in the narrative is a preliminary estimate of additional posts that UNICEF may propose in the next budget document. These preliminary indications on the budget provide the Board with an early indication of what the Executive Director is planning with regard to the future programme support and

administrative budget prior to the start of the detailed preparation process. When the Board approves the financial medium-term plan it is not approving or endorsing the budget and staffing estimates in the plan. The Board approves programme and budget recommendations separately from approving the financial medium-term plan. The Board only approves the medium-term plan as a financial framework of projections. All proposed expenditures in the plan are subject to separate Board approval and the availability of resources.

III. CHANGES TO THE FINANCIAL MEDIUM-TERM PLAN PRESENTATION

12. The narrative in the financial medium-term plan changes each year depending on actual events and changes in assumptions. The narrative describes the financial plan process, the previous year's performance with the plan and the financial projections for the next four years.

13. The current narrative does not describe how UNICEF projects income. The Reference Group has received a separate paper describing how UNICEF arrives at the income projections in the plan (see E/ICEF/1992/AB/L.13). For the information of the Executive Board, UNICEF will include major portions of the income projections paper in the narrative of future financial medium-term plans.

IV. REVISED TABLES AND FIGURES

14. UNICEF has reviewed the existing tables and graphs in the financial medium-term plan and has made several changes and additions. UNICEF intends to use the following revised tables and graphs in the 1992 financial plan (it should be noted that the numbers in the tables and graphs are for demonstration purposes only):

(a) Table 1: This table shows UNICEF income projections for the plan period from each source. The revised table shows a percentage annual growth figure for each income group and shows "Interest income" separately from "Other income";

(b) Table 2: This table shows the estimated yearly phasing of expenditures on programmes the Executive Board has already approved and on programmes the Board will review at future sessions. The major change is the addition of line 3. This subtotal will be equal to the yearly totals in the programme "round-up" document. The round-up document shows the yearly estimated expenditure for every approved programme. The link between the details in the round-up document and the planned expenditures in the financial medium-term plan has not always been clear. The new subtotal in table 2 should resolve this problem. The revised table also shows "Other items" to arrive at a total general resources expenditure line that agrees with total expenditures in table 4;

(c) Table 3: This table is a total summary of the financial plan. It is the total of tables 4 and 5. The major change is the addition of percentage annual growth figures. In the 1991 plan this table included a

section called "Other operations", which contained information on the Supply Division warehouse. Each year Supply Division issues an annual report and Board paper that provide all of this information and more. The information in this section has no direct impact on the figures in the financial plan. As a result, this section has been eliminated;

(d) Tables 4 and 5: These tables show separately the financial plan for general resources and supplementary funds. The first major change is the addition of percentage annual growth figures. The second major change is showing country, global funds - field and global funds - headquarters programme expenditures separately instead of just total programme expenditures;

(e) Figure I: This graph shows how the actual performance in the prior year compares with the previous financial plan. This graph was added in the last financial plan and no changes are proposed;

(f) Figures II, III and IV: Previous plans included a total income and expenditure graph showing actual results for the last two years and the forecast for the next four years. In addition to the total graph, the 1992 financial medium-term plan will show separate graphs for general resources and supplementary funds. To give a longer historical perspective, all graphs will now show the actual results for the prior six years instead of two years;

(g) Figure V: This graph shows UNICEF cash balances. The existing graph shows the split between general resources cash and supplementary funds cash. The new graph further divides general resources cash into convertible and non-convertible currencies;

(h) Figure VI: This will be a new chart in the 1992 financial medium-term plan. It shows the elements of UNICEF total expenditures.

Table 1. UNICEF income projections

(In millions of United States dollars)

	Average % last 5 years	Actual 1990	Actual 1991	Plan 1992	Plan 1993 a/	Plan 1993 b/	Plan 1994 a/	Plan 1994 b/	Plan 1995 a/	Plan 1995 b/
General resources										
Governments		392	394	425	444	464	462	495	480	521
Non-government sources		27	20	21	22	25	23	26	24	27
GCO		90	81	85	90	98	97	103	104	111
Interest income		28	20	19	16	17	15	16	16	17
Other income		-7	-7	3	4	4	4	4	4	4
Total, General resources		530	508	553	576	608	601	644	628	680
% Growth	17%	25%	-4%	9%	4%	10%	4%	6%	4%	6%
Supplementary funds										
(a) Programmes										
Governments		160	100	170	182	191	195	210	209	231
Non-government sources		61	79	85	91	94	97	100	104	107
United Nations		4	5	5	5	6	5	6	5	6
Other income		3	-6	0	0	0	0	0	0	0
Subtotal		228	178	260	278	291	297	316	318	344
% Growth	28%	22%	-22%	46%	7%	12%	7%	9%	7%	9%
(b) Emergencies										
Governments		40	80	35	35	35	35	35	35	35
Non-government sources		11	28	10	10	10	10	10	10	10
United Nations		6	10	5	5	5	5	5	5	5
Subtotal		57	118	50	50	50	50	50	50	50
Total, Supplementary funds		285	296	310	328	341	347	366	368	394
% Growth	19%	17%	4%	5%	6%	10%	6%	7%	6%	8%
Total income		815	804	863	904	949	948	1010	996	1074
% Growth	18%	23%	-1%	7%	5%	10%	5%	6%	5%	6%

a/ These moderate income projections are used as the basis for determining programme and budget expenditure levels in the medium-term plan.

b/ These higher income levels are presented here as a target for UNICEF fund-raising efforts. Should these levels of income be achieved, the programme expenditure levels contained in the medium-term plan would increase.

Table 2. General resources: yearly phasing of estimated expenditure

(In millions of United States dollars)

	1992	1993	1994	1995	Beyond 1995	Total recommendations
Programme recommendations						
1. Unspent balances approved in prior years	284	122	80	30	13	529
2. Submitted to 1992 Executive Board	88	100	100	100	112	500
3. Subtotal a/	372	222	180	130	125	1029
4. To be prepared for 1993 Executive Board		100	100	100	200	500
5. To be prepared for 1994 and future Executive Board sessions			100	180		
6. Emergency Reserve allocations	7	7	7	7		
7. For future allocation	6	88	38	18		
8. Planned programme expenditures	385	410	418	428		
Budget recommendations						
9. Approved at 1991 Executive Board	194	197				391
10. To be submitted to 1993 Executive Board	-5	-5	199	206		405
11. Planned budget expenditures	189	192	199	206		
Other items						
12. Supply warehouse recovery	-7	-8	-8	-8		
13. Write-offs and miscellaneous	0	0	0	0		
14. Total expenditures	567	594	609	626		

a/ For programme descriptions, see table 3 in document E/ICEF/1992/P/L.2/Add.1.

Table 3. UNICEF financial plan: summary (general resources and supplementary funds)

(In millions of United States dollars)

	Actual 1990	Actual 1991	Plan 1992	Plan 1993	Plan 1994	Plan 1995
1. Income	815	804	863	904	949	996
% Growth	22%	-1%	7%	5%	5%	5%
2. Expenditures						
(a) Country programmes	498	571	599	635	661	690
Global programmes - HQ	21	21	22	23	23	23
Global programmes - Field	65	58	65	70	70	70
Total programmes	584	650	686	728	754	783
% Growth	17%	11%	6%	6%	4%	4%
(b) Budget expenditure	154	169	189	192	199	206
Supply warehouse recovery	-4	-8	-7	-8	-8	-8
Budget less recovery	150	161	182	184	191	198
% Growth	16%	7%	13%	1%	4%	4%
(c) Write-offs and miscellaneous	4	1	0	0	0	0
Total expenditures	738	812	868	912	945	981
% Growth	17%	10%	7%	5%	4%	4%
3. Income less expenditures	77	-8	-5	-8	4	15
4. Movements non-cash assets/liabilities	-65	14	-57	-16	-3	-3
5. Year-end cash balance						
(a) Convertible currencies	265	264	196	166	161	167
(b) Non-convertible currencies	26	33	39	45	51	57
Total cash balance	291	297	235	211	212	224

Table 4. UNICEF financial plan: general resources

(In millions of United States dollars)

	Actual 1990	Actual 1991	Plan 1992	Plan 1993	Plan 1994	Plan 1995
1. Income	530	508	553	576	602	628
% Growth	25%	-4%	9%	4%	5%	4%
2. Expenditures						
(a) Country programmes	272	304	333	355	363	373
Global programmes - HQ	16	16	20	21	21	21
Global programmes - Field	31	35	32	34	34	34
Total programmes	319	355	385	410	418	428
% Growth	27%	11%	8%	6%	2%	2%
(b) Budget expenditure	154	169	189	192	199	206
Supply warehouse recovery	-4	-8	-7	-8	-8	-8
Budget less recovery	150	161	182	184	191	198
% Growth	16%	7%	13%	1%	4%	4%
(c) Write-offs and miscellaneous	1	0	0	0	0	0
Total expenditures	470	516	567	594	609	626
% Growth	24%	10%	10%	5%	3%	3%
3. Income less expenditures	60	-8	-14	-18	-7	2
4. Movements non-cash assets/liabilities	19	-6	-61	-9	-1	-1
5. Year-end cash balance						
(a) Convertible currencies	221	200	119	86	72	67
(b) Non-convertible currencies	26	33	39	45	51	57
Total cash balance	247	233	158	131	123	124
Liquidity requirement compared to year-end cash balance:						
(a) Liquidity requirement	51	55	58	60	63	67
(b) Convertible currencies year-end cash balance	221	200	119	86	72	67

Table 5. UNICEF financial plan: supplementary funds

(In millions of United States dollars)

	Actual 1990	Actual 1991	Plan 1992	Plan 1993	Plan 1994	Plan 1995
1. Income	285	296	310	328	347	368
% Growth	17%	4%	5%	6%	6%	6%
2. Expenditures						
(a) Country programmes	226	267	266	280	298	317
Global programmes - HQ	5	5	2	2	2	2
Global programmes - Field	34	23	33	36	36	36
Total programmes	265	295	301	318	336	355
% Growth	6%	11%	2%	6%	6%	6%
(b) Write-offs and miscellaneous	3	1	0	0	0	0
Total expenditures	268	296	301	318	336	355
% Growth	6%	10%	2%	6%	6%	6%
3. Income less expenditures	17	0	9	10	11	13
4. Movements non-cash assets/liabilities	-84	20	4	-7	-2	-2
5. Year-end cash balance						
(a) Convertible currencies	44	64	77	80	89	100
(b) Non-convertible currencies	0	0	0	0	0	0
Total cash balance	44	64	77	80	89	100

Figure I

Financial performance for 1991

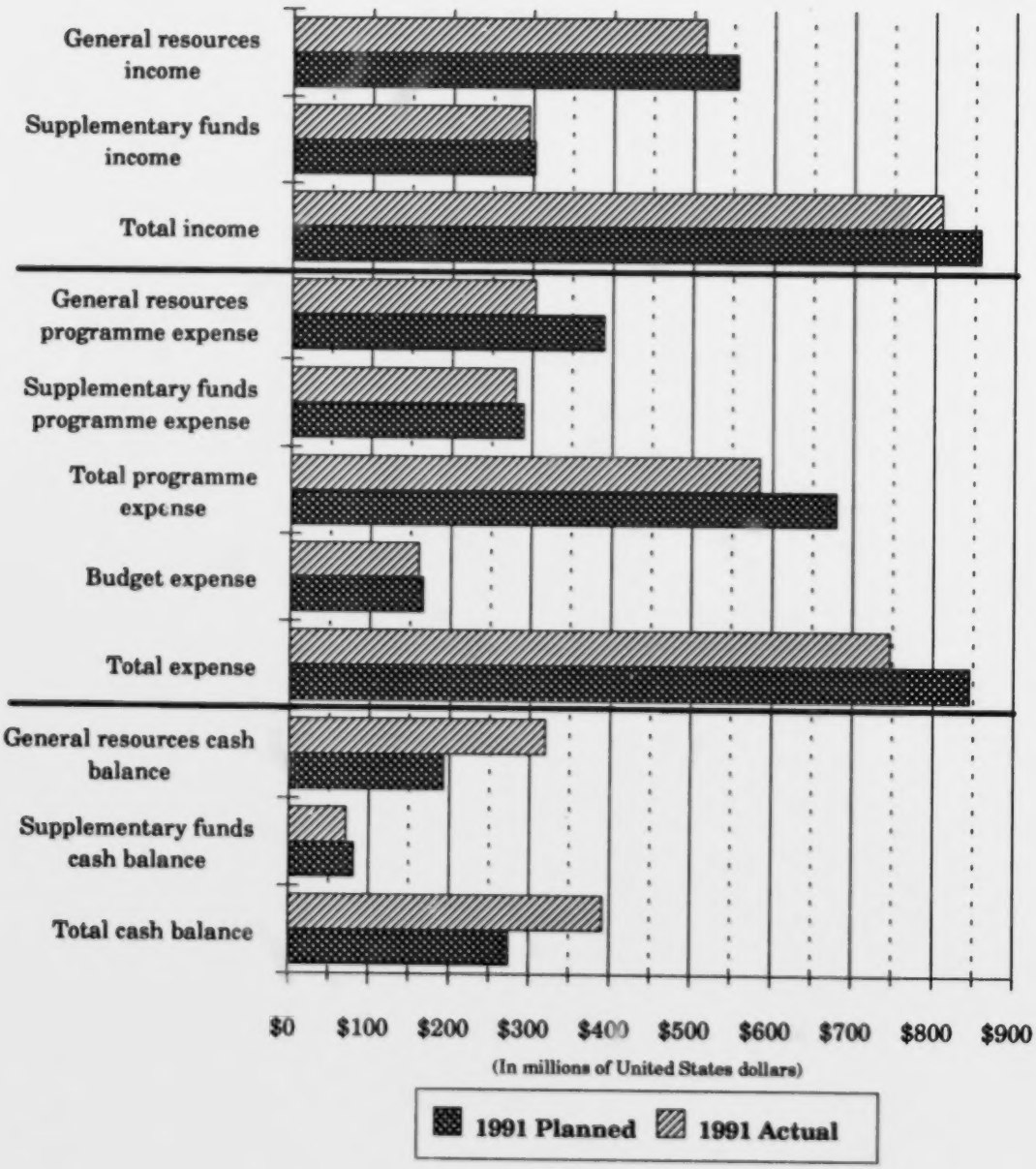


Figure II

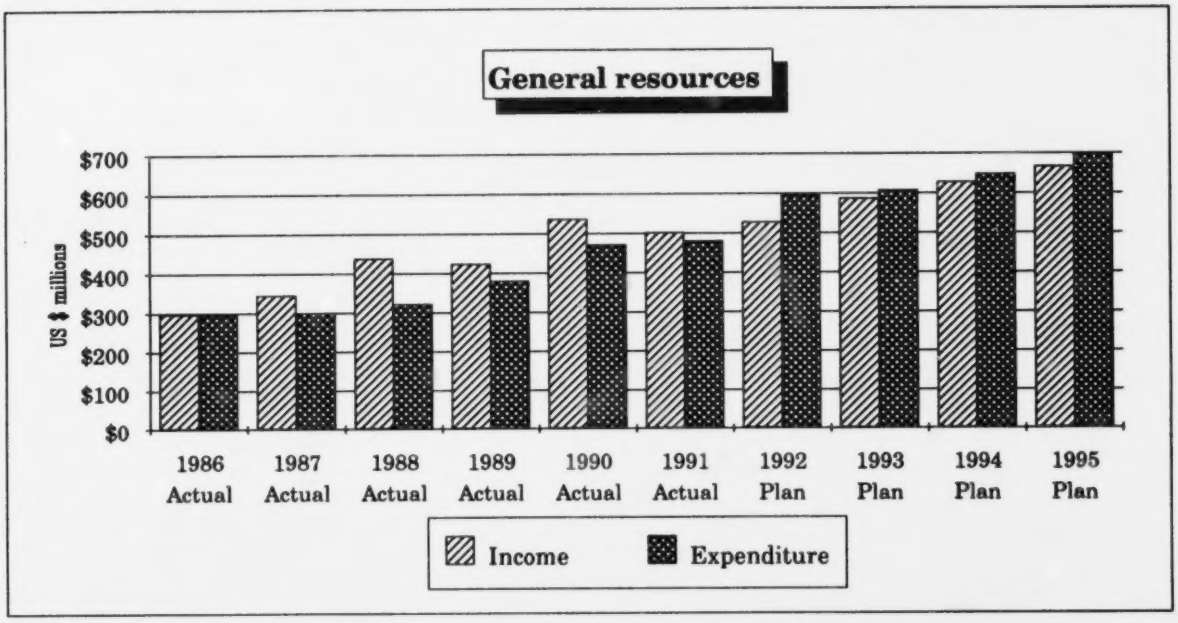


Figure III

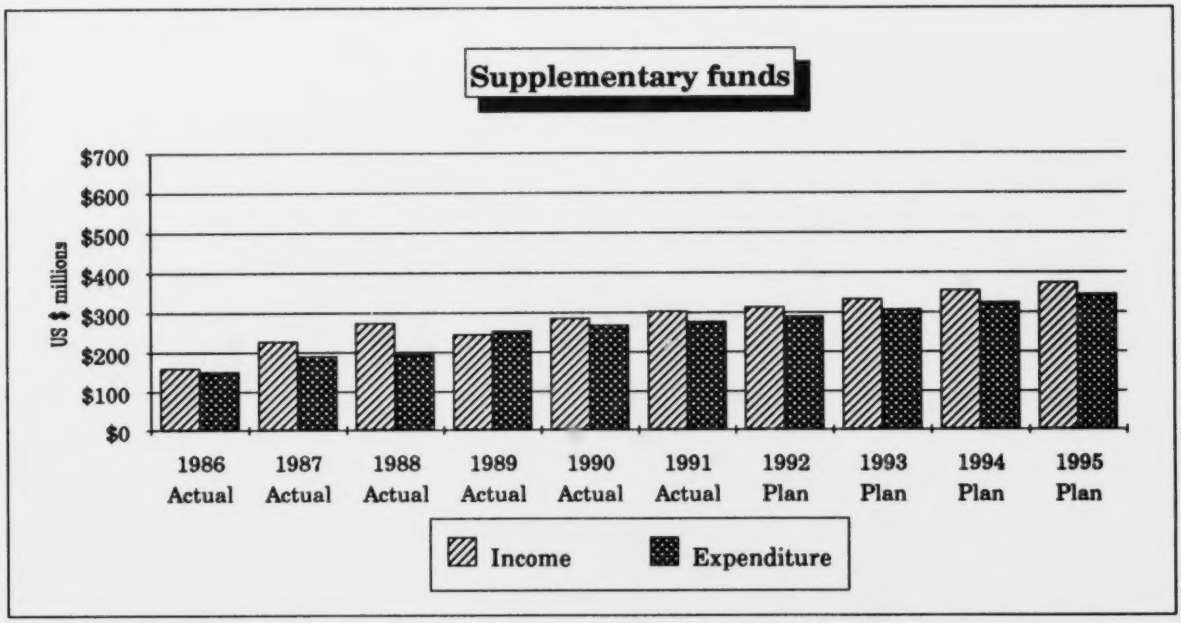


Figure IV

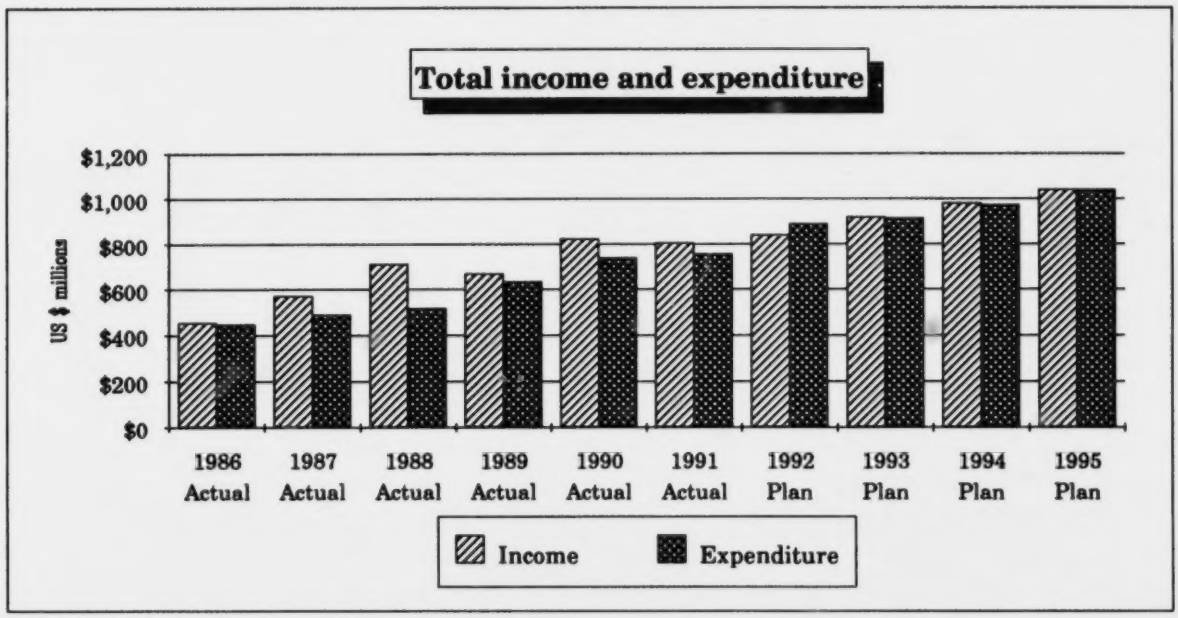


Figure V

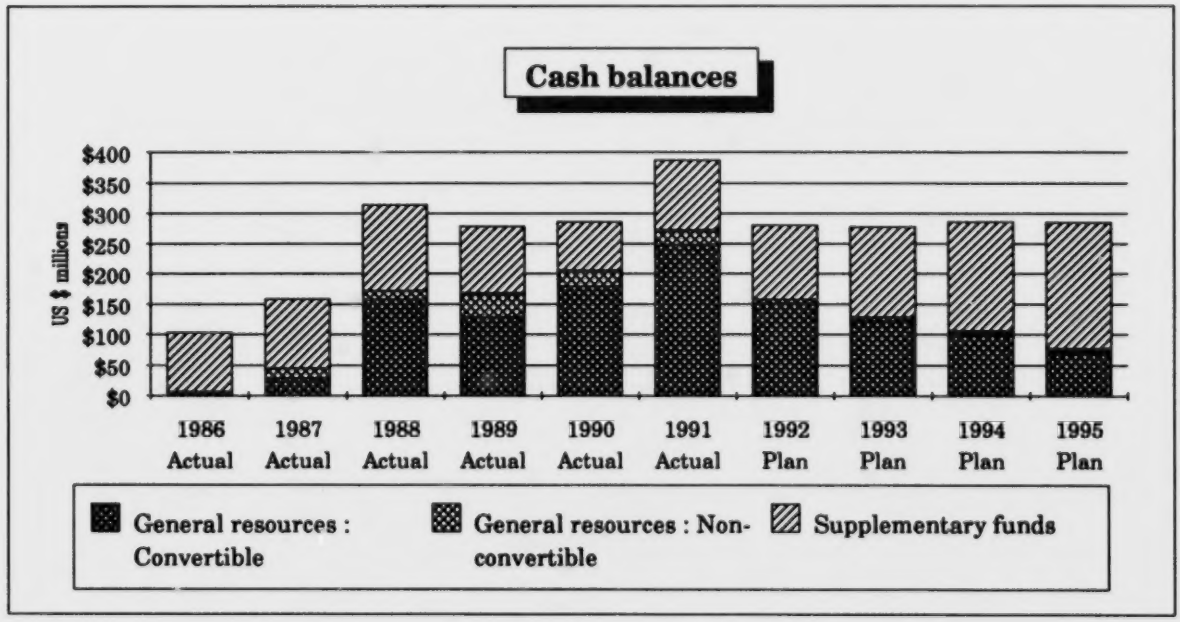
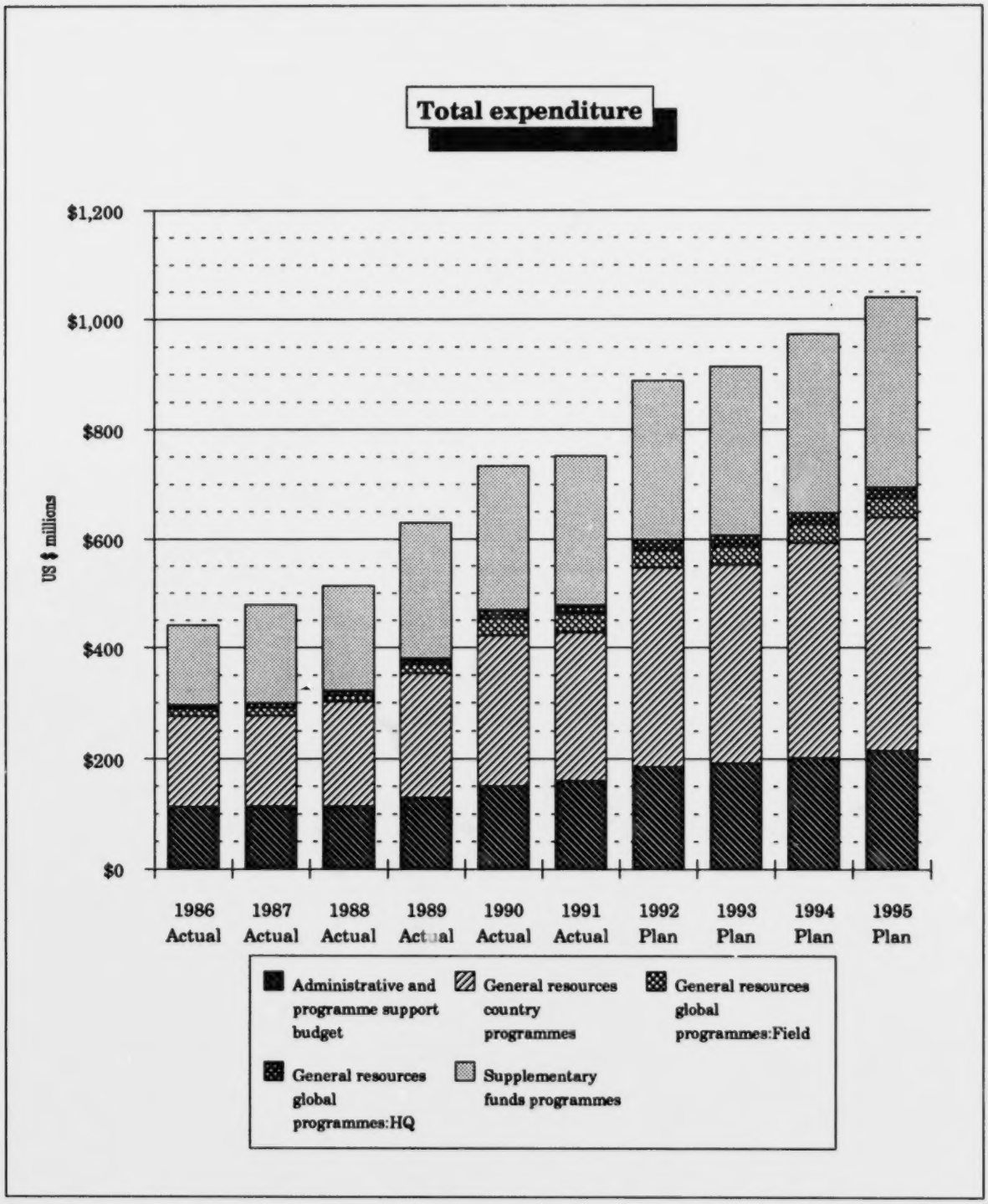


Figure VI


Total expenditure
US $ millions
$1,200
$1,000
$800
$600
$400
$200
$0
1986 Actual
1987 Actual
1988 Actual
1989 Actual
1990 Actual
1991 Actual
1992 Plan
1993 Plan
1994 Plan
1995 Plan
Administrative and programme support budget
General resources country programmes
General resources global programmes:Field
General resources global programmes:HQ
Supplementary funds programmes